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C O N F I D E N T I A L SECTION 01 OF 04 MOSCOW 002412

SIPDIS

E.O. 12958: DECL: 09/20/2019

TAGS: [PREL](#) [PGOV](#) [PHUM](#) [PNAT](#) [PBTS](#) [ENRG](#) [RS](#) [UP](#)

SUBJECT: INCORPORATING UKRAINE INTO U.S.-RUSSIA POLICY

REF: A. MOSCOW 1509
 B. MOSCOW 1650
 C. MOSCOW 1658
 D. MOSCOW 1794
 E. MOSCOW 2071
 F. MOSCOW 2349

Classified By: Ambassador John R. Beyrle for reasons 1.4 (b), (d)

11. (C) Summary. Ukraine is shaping up as a key challenge in U.S.-Russian relations. The risk of serious trouble remains as long as the two governments are at loggerheads, and as long as Russian leaders engage in periodic bouts of historical propaganda aimed at undermining Ukraine's claim to nationhood, culture, language, religion, sovereignty, and identity. We see these factors playing out in Russia's Black Sea Fleet, energy, and cultural policies, while the GOR's high-level barbs and Ukraine's presidential election campaign increase the complexity of bilateral relations. Our approach to Russia on Ukraine should be clear and direct: support for improved Russia-Ukraine bilateral ties, a focus on competitive and open energy markets in Europe, and conscious engagement with Medvedev and Putin aimed at addressing their fears of Ukraine as a Western beachhead -- while standing rock-solid on Ukraine's right to set its own course and determine its own future. End Summary

New bluster

12. (C) In recent months, Moscow's bluster about Ukraine has reached a new level. Prime Minister Putin led the way while paying respects at the graves of White Russian commanders on May 24, when he quoted General Denikin as saying, "No one can be allowed to interfere in relations between us, 'Great Russia and Little Russia' -- that is Ukraine. This was always a purely Russian internal affair." DFM Grushko similarly surprised us June 8 with his bluntness when he asserted that "Crimea is Russia. It is a simple fact of life." (ref A). In talks with visiting Special Envoy for Eurasian Energy Morningstar, Gazprom Deputy CEO Alexander Medvedev compared Ukraine to a child that "had not been punished in kindergarten," so continued its bad behavior. Russia's bluster culminated in President Medvedev's letter to Ukrainian President Yushchenko, published August 11, which was triggered in part by Kyiv's expulsion of two Russian diplomats -- as our MFA contacts spin it, for "spying in Crimea," a charge they term "ridiculous," given the strong Russian presence there. In the letter, Medvedev presented Ukraine with a litany of complaints about allegedly anti-Russian behavior, because of which Medvedev postponed sending newly appointed Russian Ambassador Zurabov to Kyiv (ref E). Accordingly, polls conducted shortly after Medvedev's letter became public suggest that 78 percent of

Russians currently have an unfavorable view of Ukraine.

13. (C) In the meantime, a few Russian pundits have begun to revive discussions about the prospect of a Russia-Ukraine war (see also ref F -- this was the subject of a recent cover story in the popular newsmagazine Kommersant Vlast'), whether to put an end to Ukrainian "provocations" of Russia, or to split what some call the internally divided Ukrainian "failed state." This raises the questions about what motivates Moscow's current approach, what assumptions can be made about Russia's near-term tactics, and what elements can inform a long-term U.S. policy toward Russia regarding Russian-Ukraine relations.

Russia's motivation toward Ukraine

14. (C) From our discussions with analysts and MFA officials, we assess that the following attitudes underlie Russia's approach toward Ukraine:

-- "We are one people": Even though Russia's leadership class accepts the fact of Ukrainian independence, it has never come to terms with it emotionally, and in fact has gradually moved away from acceptance in the decade since Putin came to power. The problem is exacerbated by multiple orders of magnitude when the subject is Crimea, a peninsula that (according to polls) most Russians believe should be part of Russia, and of which a majority of inhabitants would likely prefer just such an outcome if asked to vote on the

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matter.

-- Halting NATO expansion to the east: As with Georgia, Russia has consistently expressed staunch opposition to Ukrainian NATO membership, arguing that the Ukrainian population opposes membership, while Russian-Ukrainian military-industrial ties would be severely damaged if Ukraine were to join the western alliance. The argument is both strategic (NATO forces just a few hours' drive from Moscow) and once again emotional: the thought of Ukraine belonging to an "opposing" alliance is too much for many Russians to accept.

-- Yushchenko not an option: While not as outspoken against Ukrainian President Yushchenko as against Georgian President Saakashvili, Moscow clearly has declared him persona non grata and will not deal with him, accusing him of driving a pro-Western policy that at the same time is purposely and gratuitously anti-Russian. At a time when Russia's campaign against "falsification" of history has found traction in what many in Russia consider to be a lack of appreciation for the sacrifices of the USSR in liberating Europe, the situation has been exacerbated by what many Russians see as Yushchenko's approval for commemorating and honoring Ukrainians who fought with the Nazis, some in the SS. This is usually the first or second argument against Yushchenko used by our GOR and non-governmental contacts: how can they be expected to work with someone who thinks that fighting with the SS against the Red Army was praiseworthy? Russia has made clear that it is biding its time and placing its hopes on the "new Ukrainian leadership" expected after the January 2010 elections there (ref E).

-- Ukraine must not fail: Experts we spoke to disagreed with the notion circulated in the press that the failure of Ukraine as a state, due to domestic political paralysis, was in Russia's interest. Carnegie's Andrey Ryabov saw no benefit for Russia if Ukraine were to fall apart, arguing that the "fragments" remaining after Russia absorbed the Russian-speaking parts of the country would become Russia's liability. The Europe Institute's Sergey Karaganov called on the U.S. and Russia to cooperate in preventing Ukraine's slow-motion collapse, arguing it was "ludicrous" to even

contemplate friendly nations occupying a "de-sovereignized" Ukraine.

-- Russia depends on gas exports: Gazprom and the Russian budget depend on secure and uninterrupted gas transit through Ukraine, which makes up about 80% of Russian gas exports to Europe. Recent publicly and privately (ref C) expressed GOR concerns about Ukraine's gas infrastructure are not only tactical moves in the gas war, but also represent a genuine concern for the security of one of the GOR's primary income streams. Implying that gas transit cannot be viewed separately from Russian-Ukraine relations as a whole, DFM Denisov told Special Envoy Morningstar that the Russia-Ukraine energy dispute was "a family affair" (ref C).

Assumptions regarding Russia's Ukraine policy

15. (C) Extensive conversations with Russian MFA officials and foreign policy analysts point to several key factors driving Russian policy toward Ukraine:

-- The Black Sea Fleet: In recognition of the lack of alternatives (Maria Platonova argued on ia-center.ru that Novorossisk, Ochamchire, and Tartous/Syria for different reasons all were unsuitable replacements for Sevastopol) as well as Russia's long history of engagement in Crimea, Moscow believes it needs to retain its lease of port facilities in Sevastopol for the BSF. In order to accomplish this, the GOR is at pains to stress that the relationship between Russia and Ukraine at the working level on this difficult issue is cooperative (ref B). While criticizing Ukraine's "incessant attempts to complicate the activities of Russia's Black Sea Fleet," Medvedev in his open letter called for the observation of the "fundamental agreements" governing its basing (ref E).

-- Reliance on Ukraine for gas transit: The GOR's repeated warnings from the highest levels -- including from Putin and Medvedev -- that Ukraine might miss its gas payments are meant to raise doubts about Ukraine's reliability as a gas transit state. These doubts could support an intervention,

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perhaps in conjunction with German or other partners, to gain control over Ukraine's transit pipelines, or could at least provide further justification for the GOR's efforts to build alternative gas transit routes. Either option would advance Russia's goal of maximizing Ukrainian dependence on Russia while minimizing Russia's dependence on Ukraine.

-- Russian culture abroad: Russia has made the preservation of Russian language and culture in Ukraine and elsewhere a keystone of its public posture (and posturing) toward Ukraine. Medvedev on August 11 broadly accused Ukraine of "ousting the Russian language from public life, science, education, culture, media, and judicial proceedings." Our contacts at the MFA assert that preserving Russian language and culture abroad is too important for Russia to downplay for the sake of improved relations. Russians are utterly oblivious to Ukrainian views on this question. A good example of this is one of the points made in Yushchenko's reply to Medvedev's letter: there are plenty of Russian-language classrooms in Ukraine (indeed entire schools in some regions), but there is not a single Ukrainian-language public school in all of Russia, despite the high percentage of Ukrainian-origin populations in such regions as the Russian Far East and Siberia.

-- Low-level cooperation remains strong: In contrast to the role the preservation of Russian culture plays, and the high-level barbs hurled at Ukraine, our MFA interlocutors claim that there are numerous areas of fruitful and ongoing cooperation between Russia and Ukraine. This includes the recently signed Space Technology Protection Agreement, the

July 15 Nuclear Fuel Agreement, and a cooperation agreement signed by the Interior Ministries June 4. MFA 2nd CIS Department Director Vyacheslav Yelagin explained that Russia's inflammatory rhetoric was invariably a reaction to Yushchenko's anti-Russian policies or other unwelcome Ukrainian initiatives, such as the EU-Ukraine gas pipeline modernization accord (ref D). Experts agreed that the upcoming presidential elections in Ukraine were behind Moscow's recently intensified vitriol, although Deputy Dean of the MGIMO University Mikhail Troitsky speculated that Russia might also be testing the West's resolve to help Ukraine in its gas and other woes.

-- Backing the winner: Moscow is now waiting out the end of Yushchenko's presidency and closely following the contenders' fortunes in Ukraine's pre-election campaign. Experts are divided on whether Moscow has a favorite in the race. While analyst Alexei Makarkin judged that Prime Minister Tymoshenko's ability to deliver on economic relations with Russia, including the January gas agreement, was proof of the "tacit support" Moscow has shown her, Ryabov thought her unpredictability precluded support by Moscow. Some thought that Yanukovich now remained Moscow's best bet, while most agree with Global Affairs editor Fyodor Lukyanov, who stated August 19 that the Kremlin does not want to end up backing the loser like during the December 2004 Ukrainian election crisis.

The Way Forward

16. (C) There is a clear consensus among analysts here that an improved U.S.-Russia dialogue on Ukraine would help the situation. They cite the following elements as essential:

-- Pursue western integration and NATO enlargement deliberately, but quietly: There is no prospect of rapid movement on this front, and we can agree to (firmly) disagree with the GOR while continuing our efforts to promote Ukraine's integration with the West, and deferring discussion with Russia of our disagreement over NATO membership for Ukraine until improved levels of trust in the U.S.-Russia and NATO-Russia relationships create a climate more conducive to such discussion.

-- Welcome Russia-Ukraine cooperation while strengthening Ukraine's independence: This was seen here as the fundamental message of VP Biden's visit to Kyiv. Igor Bunin, Director of the Center for Political Technology, argued that Russia could improve its relations with Ukraine by building up its "soft power." Russia, he said, could make itself attractive to other nations by creating a stable democracy with a diversified, high-tech economy that respected human rights and combated corruption -- all goals we support.

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Russia also needs to come to terms with Ukraine's independence and avoid unilaterally exacerbating tensions, while pursuing cooperation on political, economical, and cultural issues, and broadcasting these successes. By repeatedly privately advocating these principles and continuing to help to convince Russia of the advantages of such a policy, the U.S. can promote an outcome from which all sides benefit.

-- Promote transparent market mechanisms in energy deals: Playing into the previous point on welcoming Russian-Ukrainian cooperation, we can express our preference for energy relations between Russia and Ukraine as well as Russia and the West that are based on commercial calculations, a view no side should dispute. While promoting a more stable and transparent energy-related investment climate, we should acknowledge, as SE Morningstar did during his recent trip (ref C), that we share Russian concerns about Ukraine's gas infrastructure, and support Ukrainian efforts

to reform and modernize its system. We should welcome efforts, including Russian proposals, to improve the system, as long as those efforts are consistent with principles of transparency, market mechanisms, and sovereignty (Gazprom taking over the system does not qualify).

-- Engage with Medvedev and Putin: We need to have a frank and direct dialogue on Ukraine's future with both Medvedev and Putin, building on increasing levels of trust following the Moscow Summit and Missile Defense decision. Our message should emphasize our current policy priorities, which get insufficient attention here among both the leadership and the Russian public: we want a strong, independent, and sovereign Ukraine that has a close, thriving, and mutually beneficial relationship with Russia. We do not want to build new walls in Europe.

17. (U) This report was coordinated with Embassy Kyiv.
Beyrle